


REQUEST FOR APPROVAL

To: Mark Leary
Deputy Director

From: Howard Levenson 
Program Director

Request Date: January 27, 2010

Decision Subject: Approval of Tire Equipment Program Loans: Waste Recovery West, Inc. and Tri-C Manufacturing, Inc. (Tire Recycling Management Fund, Fiscal Year 2009/10)

Action By: February 1, 2010

Summary of Request:

This memo requests approval of two loans to California tire manufacturers: (1) Waste Recovery West, Inc. and (2) Tri-C Manufacturing, Inc. Both loan projects meet the required eligibility criteria established in June 2009 to receive loan funding. The loan applications were considered and approved by the Loan Committee on January 7, 2010. If approved by the Deputy Director, these loans will be funded from the Tire Recycling Management Fund, Fiscal Year 2009/10.

Recommendation:

Staff recommends approval of these Tire Equipment loans, subject to the conditions and directions specified below in "Deputy Director Action." These projects are expected to further increase both local and regional diversion efforts, as well as increase employment and local revenues.

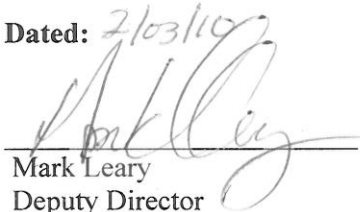
Deputy Director Action:

On the basis of the information and analysis in this Request for Approval and the findings set out herein, I hereby approve Tire Equipment Program loans totaling nine hundred twelve thousand, five hundred dollars (\$912,500) in the specific amounts set forth below next to each Borrower's name:

Waste Recovery West, Inc.	\$ 277,500
<u>Tri-C Manufacturing, Inc.</u>	<u>\$ 635,000</u>
Total.....	\$ 912,500

I further direct staff to prepare and execute loan agreements and to conduct all other acts necessary to fund these loans. The funding of each loan, as indicated above next to the Borrower's name, is subject to all terms and conditions contained in the loan agreement to be prepared by loan program staff in accordance with applicable regulations, and on such other terms and conditions as the Department of Resources Recovery and Recycling (CalRecycle) or its duly authorized staff representative in its or their sole discretion deems necessary or advisable.

Dated: 2/03/10


Mark Leary
Deputy Director

Background Information, Analysis, and Findings

(1) General Background

The purpose of the Tire Equipment Loan Program is to provide loans to California manufacturers of tire-derived recycled-content products for the purchase of equipment that will be used to produce tire-derived materials and products. Funding levels for the Tire Equipment Loan Program are identified in the Five-Year Tire Plan and authorized by Statute in Public Resources Code section 42872.

In accordance with established procedures, all loan applications are reviewed and evaluated to ensure that the project meets current eligibility criteria and has or is in the process of obtaining required permits as determined by other pertinent CalRecycle programs. The Loan Committee then considers the fiscal soundness of the proposed loan and approves or declines the loan request. Upon conclusion of this process and Loan Committee approval, a commitment to approve and fund a loan is made by CalRecycle senior management staff.

- **Project Eligibility Criteria** for the Tire Equipment Loan Program is based on the Recycling Market Development Revolving Loan Program eligibility criteria that were approved by the California Integrated Waste Management Board in September 2008. Staff has reviewed the two applications and found that they are consistent with the established criteria. The projects proposed by Waste Recovery West and Tri-C Manufacturing qualify as *recycling projects* that produce a recycled-content raw material/feedstock for use by other manufacturers who can further reprocess the raw material into other finished products.
- **Interdivisional Reviews** were performed by the following divisions:
 - The Budgets Office confirmed that there are sufficient monies allocated for the current fiscal year to fully fund each of the subject loans.
 - Legal counsel for the Tire Equipment Loan Program was involved in staff discussions evaluating the merits and eligibility of the loan projects prior to the Loan Committee meeting. Legal Counsel is not aware of any significant legal issues related to these loans.
 - Waste Compliance and Mitigation Program staff reviewed the projects and determined that both companies possess the appropriate permits to operate their respective operations.
 - Local Assistance and Market Development Division staff reviewed the projects and based on the information provided in the jurisdictions' Source Reduction and Recycling Element, discarded tires that will be used as feedstock for these tire projects are normally disposed of in the State's landfills.
 - Statewide Technical and Analytical Resources Division staff visited both project sites and have provided technical assistance to the businesses to facilitate the production of tire derived aggregate (TDA) for various civil engineering projects.
- The **Loan Committee** considered and approved the two loan applications on January 7, 2010. The review included an evaluation of the overall loan structure, the ability of the businesses to repay, and the collateral proposed to secure the loan. The Loan Committee approvals were publicly announced at the Materials Management and Local Assistance Program Public Workshop held on January 13, 2010.

(2) Description of loans

- **Waste Recovery West, Inc.** (www.tiredisposal-recycling.com)
Waste Recovery West, Inc. (WRW) was formed in 1998 and is headquartered in Oregon. The principal owners of this business have extensive experience in the scrap recovery/remediation and recycling industry. The company operates a recycling and shredding facility at the Vasco Road Sanitary Landfill in Livermore, California, under a licensing agreement with Republic Services of

California LLC. The company also operates waste tire materials transit facilities in Sacramento and Redding.

At the Livermore landfill site, WRW processes between one to two million waste tires annually; sorts and sells the residual material for the tire reuse and retread industry; and makes Type II or "B" six-inch tire chips for tire derived aggregate (TDA) that is used in civil engineering applications. The company wants to diversify their end product lines and produce TDA type "A" material (of approximately three- inch shreds). They are experiencing an increase in demand for this type of TDA material as a result of more civil engineering applications and expanding light rail projects in the greater San Francisco Bay Area region. The business also projects the material could be sold to other tire recyclers who would use TDA as feedstock for other finished end products.

Thus, they are requesting a Tire Equipment Loan in the amount of \$277,500 to purchase a tire shredding system that will supplement their current production line. Equipment to be purchased with loan proceeds include: a shredder, conveyor line, bulk loader and truck scale with ramps. As required by the Tire Equipment Loan program, the company owners are providing the 25% matching funds to secure this loan. They are also covering other costs such as equipment installation, leasehold improvements and equipment shipping costs. Loan rate will be fixed at four percent (4%) or the prevailing rate at the time of the final loan approval.

Based on communications with WRW, the following diversion and job increases would occur as a result of this loan:

Diversion Volumes	Current	Projected Increase	Total
Tons per Year	13,000	7,000	20,000
PTE equivalent	1,300,000	700,000	2,000,000
Jobs Created	24	5	29

- **Tri-C Manufacturing, Inc.** (www.tricshredders.com)

Tri-C Manufacturing, Inc. is located in West Sacramento and has been solely owned by Mr. Clyde Lamar since October 1990. Tri-C Machine Corporation, an affiliate, in which Clyde Lamar has 90% stock ownership, operates from the same facility site. Tri-C Machine is the manufacturing arm and has the tooling capacity to manufacture and service all types of tire-recycling equipment that are sold through Tri-C Manufacturing, Inc. Both entities work together to produce, service and sell tire-recycling equipment; as well as sell and distribute various machinery parts (including belts, molds, shredding blades and knives).

From 2000-2004, Mr. Lamar also successfully operated a tire recycling operation. He sold this particular business in 2004. The buyer, an unrelated individual, retained a similar business name, Tri-C Tire Recycling, Inc. d.b.a. Lester Tire Recycling, Woodland, CA; it is this business, not the loan applicant, which has been subject to CalRecycle enforcement actions in the past. According to Clyde Lamar, the Tri-C Manufacturing, Inc. does not have any ownership relationship with Tri-C Tire Recycling, Inc. other than as a creditor for the equipment that was initially sold to Tri-C Tire Recycling, Inc.

In October 2008, Mr. Lamar restarted a tire recycling business. On April 21, 2009, he was approved for a Recycling Market Development Zone Program loan in the amount of \$1,500,000. This loan

funded approximately \$1.4 million of equipment needs and the remaining funds were used for capital improvements to expand the West Sacramento facility site.

Mr. Lamar is requesting a Tire Equipment loan in the amount of \$635,000 for equipment that will complete the production line for the crumb rubber product. This equipment will supplement the original project that began in April 2009. Initial project costs allocated for equipment was ultimately spent on additional site improvements necessary to comply with increased costs for local permits and construction. Thus, additional loan monies are being requested to obtain the needed equipment, which includes a new roll off truck and a 10-wheel tractor with wet kit that will comply with the State's current emission standards; an infeed screw conveyor system, magnetic cross belt separation system and other related accessories. As required by the Tire Equipment Loan program, Mr. Lamar is providing the 25% matching funds to secure this loan. Loan rate will be fixed at four percent (4%) or the prevailing rate at the time of the final loan approval.

Tri -C Manufacturing anticipates the proposed project will help the company expand its crumb rubber processing operation and create 13 additional jobs for the region. The company also anticipates a significant reduction in the material currently being disposed daily at the local landfill (L & D Landfill).

Diversion Volumes	Current	Projected Increase	Total
Tons per Year	10,400	15,600	26,000
PTE equivalent	1,040,000	1,560,000	2,600,000
Jobs Created	7	13	20

(3) Summary

These loan projects will assist in the implementation of CalRecycle's Strategic Directive 3 with a goal of increasing the annual waste tire diversion rate to 90% by 2015.

These Tire Equipment Program loans will also result in residual benefits to stakeholders and the State:

- Efforts by these two businesses should result in increased diversion of waste tires from the State's landfills. California generated approximately 5 million waste tires in 2008. Of this total approximately 32 million waste tires (or 72 percent) were diverted from disposal through reuse, crumb rubber, rubberized asphalt concrete, civil engineering, alternative daily cover, agriculture, retreading and tire-derived fuels for power generation and cement kilns. The remaining 12 million waste tires (about 28 percent) were disposed of in landfills.
- As these loan projects contribute to the diversion of waste tires from the waste stream, they will be assisting the local jurisdictions' compliance with the 50% disposal reduction mandate under the Integrated Waste Management Act, Assembly Bill 939.
- Crumb rubber and TDA are of higher economic value and a better end use for waste tires. TDA is a cost-effective technique for permanently repairing road failures, slide repair work and as an alternative material for building retaining walls for hillsides.

If the proposed loans to Waste Recovery West, Inc. and Tri-C Manufacturing, Inc. are approved, \$87,500 will remain in the fund for the rest of Fiscal Year 2009/10.